

# South Carolina Budget and Control Board Office of Economic Research

## Statement of Estimated State Revenue Impact (Section 2-7-76)

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**Date:** April 11, 2005

**Bill Number:** H. 3652

**Authors:** W.D. Smith, Vaughn, Merrill, Loftis, *et.al.* **Committee Requesting Impact:** Ways & Means

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### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, to enact the "South Carolina Put Parents in Charge Act" by adding Chapter 18 to Title 12, Code of Laws of South Carolina, 1976, so as to provide credits for certain taxes and license fees for tuition paid to public or independent schools, to provide credits for certain taxes and license fees for contributions to scholarship granting organizations, to provide for the regulation, registration, and reporting of scholarship granting organizations, and to provide for reporting and accountability of the implementation of this Chapter.

### REVENUE IMPACT<sup>1/</sup>

This bill is expected to increase local school district revenues by \$354,407 in FY 2006-07, after anticipated state expenditure reductions on a per pupil basis. These estimates are based on an anticipated reduction of 3,790 public school students. By FY 2010-11, we expect 10,071 public school students to move to independent schools due to the availability of the tax credits. This would increase local school district revenues by \$1,538,290. The table below provides details of the estimated expenditure increases by fiscal year.

### Explanation

We expect the potential local school district expenditure savings to be based on the anticipated reduction in the number of teachers and a small amount of the remaining fixed costs. Other expenditures for counseling, libraries, building upkeep, and leadership positions would generally not be reduced for the anticipated marginal reduction in the number of students. Once the Act is fully implemented in FY 2010-11, we estimate that a total of 10,071 students would move from public schools to independent. This expected reduction amounts to less than 1.5% of the expected 675,000 public school students in FY 2010-11. Based on the marginal reduction in the number of students, we anticipate that the school districts could eliminate 1 teacher for every 20 students moving to independent schools. This anticipates that school districts will maintain the current student teacher ratio and not try to reduce the number of students per teacher below the current estimated ratio of 20 to 1. In addition, we expect that the school districts would be able to reduce expenditures on the remaining fixed costs by 5%. Local revenues will also be impacted by the actions taken at the state level in their funding of K-12 operations. Expenditure savings taken at the state level will reduce the total revenues used to fund K-12 operations at the school district level. The estimated potential state expenditure savings, based on expenditures directly related to students are included in the table below.

Fiscal Year	Students Moving to Independent Schools from Public Schools	Estimated Reduction in the Number of Teachers - 20 to 1 Student to Teacher Ratio	Estimated SC Average Teacher Salary	Estimated Potential Local Expenditure Reductions (Teacher Salaries plus 5% of total local expenditures)	Estimated Potential State Appropriation Reductions	Estimated Potential Local Revenue Increase Net of State
FY 2006-07	3,790	190	\$43,805	\$10,218,935	\$10,573,342	\$354,407
FY 2007-08	5,431	272	\$44,901	\$14,974,082	\$15,605,946	\$631,864
FY 2008-09	7,802	390	\$46,023	\$22,142,076	\$23,091,570	\$949,494
FY 2009-10	8,882	444	\$47,174	\$25,861,275	\$27,076,686	\$1,215,411
FY 2010-11	10,071	504	\$48,353	\$30,084,091	\$31,622,381	\$1,538,290

/s/ William C. Gillespie, Ph.D

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Chief Economist

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<sup>1/</sup> This statement meets the requirement of Section 2-7-76 for a local revenue impact by the Office of Economic Research.